

# Here's the Premium!

*Certified Angus Beef Program market research illustrates the higher values Angus calves command.*

BY STEVE SUTHER

**A**sk any market economist who has looked at the effect of cattle breed type on sale price at auction. Angus and Angus-cross cattle have gained in price relative to other breed types over the last decade, and that has been documented by university studies in Kansas and Oklahoma. The Certified Angus Beef (CAB) Program has stimulated demand for Angus-type calves, especially in the 1990s, and it takes an interest in the results.



Starting now, producers can follow the relative price differences at the same auction points over time. The CAB Program's nationwide "Here's the Premium" study tracks price differentials between Angus steers and heifers and representative other cattle of the same sex and weight class. It will work with the same auction market managers over a number of years.

The firstfruits of the study reveal a \$2.11/hundredweight (cwt.) average premium for steers of known Angus genetics weighing 650-750 pounds (lb.), compared to steers representative of other breeds, all sold in March and April at seven locations

from Kentucky to California. For heifers, the difference was \$1.51/cwt.

"It's a good start," says Kansas State University Extension economist Kevin Dhuyvetter, who performed regression analysis on the initial data. "But we have to

keep in mind that there are a lot of variables that affect sale prices of cattle. Over time, with more numbers and as we get more

information on these

cattle, we will be able to say more about the results."

Dhuyvetter did not design the study, but he acts as an advisor and analyst on the

data. There is a practical limit to collecting data in that the study relies on the cooperation and sworn statements of auction-market managers. They stipulate the breed type, sex, weight, price and representative nature of each consignment reported.

The CAB Program study is more accurate in identifying Angus breed type than any university study to date, but it may be limited in treating all non-Angus as a single other class, Dhuyvetter notes.

Market managers are asked to keep muscling, frame, health and other nonbreed factors constant in reporting prices for five consignments of at least five head each for both steers and heifers, Angus and non-Angus, of the specified weight. However, as in all auction-market studies thus far, human judgment is involved.

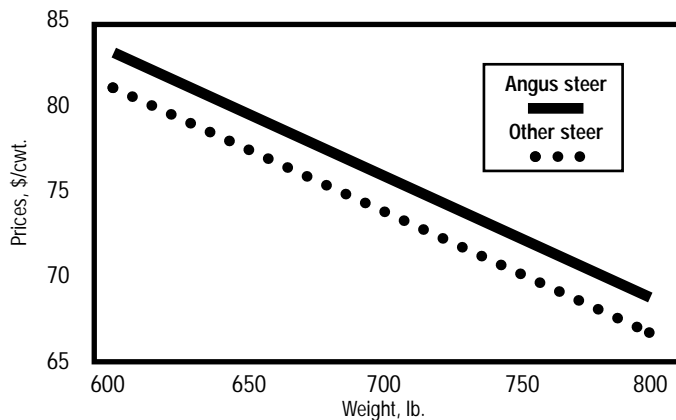
Auction markets in California, Iowa, Kansas, Kentucky, Montana, South Dakota and Wyoming reported prices on 537 lots of cattle. These included a total of 3,581 Angus steers, 2,936 other steers; 3,613 Angus heifers and 2,314 other heifers. Additional cooperating markets are being identified in the Plains and the Southeastern states.

Ten locations should report prices on Angus vs. other steers and heifers of the 450- to 550-lb. weight class in October and November, with the heavier cattle prices again compared next February, March and April.

As the database grows, more comparisons can be made, Dhuyvetter says.



Figure 1: Steer price vs. weight and breed



**Table 1: Summary of prices (\$/cwt.) by sex and by breed for March auction sales.**

Variable	No.	Mean	Min.	Max.
"Other" heifer price	132	69.04	62.00	79.00
Angus heifer price	134	70.52	63.00	82.00
"Other" steer price	138	73.55	61.00	84.25
Angus steer price	133	75.42	68.00	87.50

Variable	No.	Mean	Min.	Max.
Heifer price	266	69.79	62.00	82.00
Steer price	271	74.47	61.00	87.50
"Other" price	270	71.35	61.00	84.25
Angus price	267	72.96	63.00	87.50

**Table 2: Parameter estimates from Iowa steer base\***

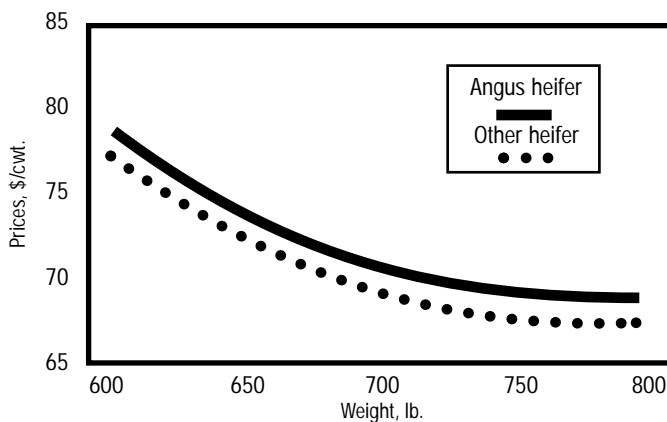
Variable	Parameter Estimate
California	-3.84
Kansas	-1.59
Kentucky	-3.62
Montana	-0.55
South Dakota	0.27
Wyoming	1.39
Other steer	-2.11
Other heifer	-1.51**
April	0.55

Source: CAB Program, K-State analysis.

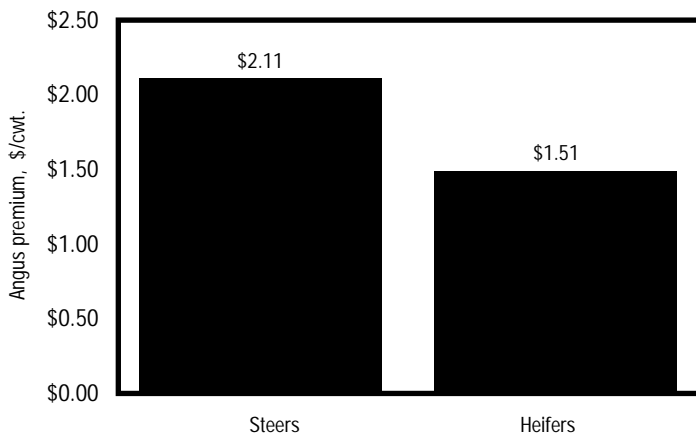
\*The base animal is an Angus steer marketed in Iowa during the month of March. The different state parameter estimates and the estimates for other steers and April represent the difference in price relative to the base animal. For example, an "other" steer in Kansas would be expected to receive \$3.70/cwt. less (1.59 + 2.11) than an Angus steer in Iowa, all else equal (i.e., March, weight, lot size). On the average, cattle sold in April brought \$0.55/cwt. more than those sold in March.

\*\*The difference between an Angus heifer and an "other" heifer is equal to \$1.51/cwt., but the difference between steer and heifer prices varies by weight (see graphs).

**Figure 2: Heifer price vs. weight and breed**



**Figure 3: Price difference between Angus and others.**



Some apparent differences in the early data may be random chance, while others may emerge over time as distinct trends, he adds.

Based on the information available from the spring sales, the highest premiums for all cattle were paid for the relatively large lot size of 105 head. That

may relate to efficient trucking to feedyards, or it may vary significantly after more data is collected.

Regional market premiums were evident, with the California and Kentucky feeders selling \$3.84/cwt. and \$3.62/cwt. lower than the Iowa market, which was used as a base price. The Wyoming and

South Dakota cattle markets were the only locations reporting higher values than the base. (See tables and figures.)

The difference in price between a steer and a heifer is dependent on the weight of the animals (see figures 1 and 2). For example, the difference between an Angus steer and an Angus heifer at 700 pounds (lb.) is about \$5.50/cwt., but at 750 lb. the difference is only \$3.50/cwt. Similarly, the difference between an other steer and an other heifer at 700 lb. is about \$5/cwt. but only about \$4/cwt. at 750 lb.

